

Message Text

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PAGE 01 NAIROB 10866 241402Z

ACTION AF-04

INFO OCT-01 SS-14 ISO-00 NSC-05 SP-02 INR-05 CIAE-00

EB-04 L-01 TRSE-00 PRS-01 /037 W

-----033336 242025Z /73

R 241310Z AUG 77

FM AMEMBASSY NAIROBI

TO SECSTATE WASHDC 776

C O N F I D E N T I A L NAIROBI 10866

LIMDIS

E. O. 11652: GDS

TAGS: BDIS, CPRS, KE, US

SUBJ: ESSO CLAIM AGAINST PRESIDENT KENYATTA

REF: STATE 176436

1. AFTER DISCUSSION WITH AMBASSADOR AND EMBOFFS, ESSO DECIDED BEST TACTIC IN HANDLING GASOLINE ACCOUNT ARREARS WAS TO MEET WITH PROVINCIAL COMMISSIONER MATHENGE WHO HANDLES FARM MATTERS FOR PRESIDENT, PRESENT THEIR CASE AND SEE WHAT HAPPENED.

2. VASTOLA (WHO BEING TRANSFERRED OTHER RESPONSIBILITIES IN SEPTEMBER), LOCAL ESSO MANAGER LINDGREN AND ESSO'S NAIROBI LAWYER ARONSON FLEW TO NAKURU AUGUST 23 AND SAW MATHENGE. VASTOLA EXPLAINED LEGAL PROBLEMS FACING EXXON IN U.S. IF FARM ACCOUNT CONTINUED OPEN, AND SAID UNLESS PAYMENT MADE DELIVERIES WOULD CEASE AFTER END OF NOVEMBER. VASTOLA ELABORATED LEGAL CONSEQUENCES OF CONTINUED DELIVERIES AFTER THAT DATE AND ASSURED MATHENGE THAT STEP NOT BEING TAKEN OUT OF DISCOURTESY TO PRESIDENT. ESSO'S FAILURE TO ACT IN THIS MATTER COULD LEAD TO UNFORTUNATE AND EMBARRASSING WORLD WIDE PUBLICITY WHICH HE ASSUMED PRESIDENT WISHED TO AVOID AS MUCH AS DID ESSO.

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3. ACCORDING VASTOLA, MATHENGE WENT INTO ROUTINE USED IN PAST WHEN DISCUSSING MATTER WITH LOCAL ESSO REPS, I.E. MONEY MATTERS VERY DIFFICULT TO DISCUSS WITH PRESIDENT; MATTER WOULD RESOLVE ITSELF GIVEN TIME; MONEY INVOLVED VERY SMALL SUM TO LARGE COMPANY SUCH AS ESSO, ETC. VASTOLA BELIEVES MATHENGE REALLY DOES NOT FULLY GRASP LEGAL

COMPULSIONS COMPANY FACES. UPSHOT OF MEETING WAS THAT MATHENGE ASKED FOR LETTER SETTING FORTH ESSO CASE WHICH HE WOULD SHOW TO PRESIDENT UPON LATTER'S RETURN TO FARM PROBABLY IN MID OR LATE SEPTEMBER. MATHENGE TOLD VASTOLA THAT ESSO WOULD "HAVE TO BE PREPARED TO TAKE THE CONSEQUENCES" OF ITS DECISION SHOULD SUPPLY TO THE FARM ACTUALLY BE CUT OFF.

4. ESSO WILL HAVE LONDON AND NAIROBI LAWYERS PREPARE LETTER FOR MATHENGE WHICH WILL BE DELIVERED BEFORE THE PRESIDENT'S EXPECTED RETURN TO THE FARM AND THEN AWAIT REACTION.

5. PRIOR TO MEETING WITH MATHENGE, ARONSON HAD APPROACHED KARIITHI, PERMSEC OFFICE OF PRESIDENT, WHO AS NOTED REFTEL, HAS BEEN HELPFUL IN PAST IN GETTING PARTIAL SETTLEMENT OF ACCOUNT. ARONSON WAS BRUSHED OFF WITH COMMENT FROM KARIITHI THAT THERE WAS NOTHING HE COULD DO FOR ESSO AT THIS TIME.

6. EMBASSY COMMENT: MATTER ESSENTIALLY PUT ON ICE UNTIL PRESIDENT GETS TO FARM NEXT MONTH. HIS REACTION TO ESSO LETTER UNPREDICTABLE WITH OPTIONS RANGING FROM OUTRAGE AND POSSIBLE DRASTIC COUNTERACTION TO DECISION TO TEST ESSO'S NERVE AND NOT RESPOND. IN ANY EVENT NEXT ACT WILL PROBABLY TAKE PLACE IN LATE SEPTEMBER. EMBASSY WILL MONITOR AND REMAIN IN CLOSE CONTACT WITH LINDGREN.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CLAIMS, PETROLEUM, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 24-Aug-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977NAIROB10866
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770306-0243
Format: TEL
From: NAIROBI
Handling Restrictions:
Image Path:
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Legacy Key: link1977/newtext/t19770829/aaaaaxxa.tel
Line Count: 94
Litigation Code IDs:
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Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 14301054-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 77 STATE 176436
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 07-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1501154
Secure: OPEN
Status: NATIVE
Subject: ESSO CLAIM AGAINST PRESIDENT KENYATTA
TAGS: BDIS, CPRS, ENRG, KE, US, ESSO
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/14301054-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009